

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 89-230-E/G - ORDER NO. 92-931
NOVEMBER 13, 1992

IN RE: Investigation of Property Transfers)	ORDER
from South Carolina Electric & Gas)	APPROVING
Company SCANA, other SCANA Affiliates)	RECOMMENDATIONS
and Non-Affiliated Entities, and)	AND REPORTING
Allocation of Expenses, Revenues and)	REQUIREMENTS
Plant Between SCE&G, SCANA, and SCANA)	WITH
Affiliates.)	MODIFICATIONS

On March 24, 1989, in Docket No. 88-681-E, the Alliance for Fair Competition (the Alliance), a party in Docket No. 88-681-E, filed a Petition seeking an independent investigation to examine all conveyances of real and personal property from South Carolina Electric & Gas Company (SCE&G or the Company) to SCANA or its subsidiaries since the formation of SCANA; to examine whether employees of SCE&G have provided services to benefit SCANA, including the nature and extent of such services; and to examine whether SCE&G provided resources or use of equipment to SCANA or its subsidiaries and the nature and extent of those transactions. On April 12, 1989, the Public Service Commission of South Carolina (the Commission) issued an order which granted the Alliance's Petition for an Investigation.

The matter was duly noticed and assigned the instant Docket. The Notice of Proceeding was published in newspapers of general

circulation in the affected areas and set forth a non-exclusive list of twelve issues. The Docket's purpose was "to fully investigate the transfer of property, along with the allocation of expenses, revenues, and plant by SCE&G to SCANA or any of SCANA's affiliated companies." After the instant proceeding was noticed, the Alliance, the Consumer Advocate, and John P. Freeman intervened in the matter.

After conducting a lengthy and thorough investigation of the issues, reviewing the Company's books and records and conducting discovery, the Commission Staff submitted separate reports of the Research Department and the Accounting Department on August 14, 1990. The reports included recommendations for additional reporting requirements for SCE&G and SCANA's regulated affiliated companies and for substantive actions relating to affiliated transactions, including the transfer of real property.

The parties to the proceeding then submitted comments to the Commission Staff's reports, and additional meetings were held between the Staff and the parties. During these meetings, changes were made to the Commission Staff's reports in an effort to reach a consensus among the parties. There were many areas of agreement among the parties, however, there were some issues that could not be resolved. Once that was determined, the Commission Staff formalized its report and filed it with the Commission for its approval. The Commission Staff's report was filed by a Motion dated April 21, 1992. The Commission Staff's Final

Recommendations and Reporting Requirements were attached to the

Staff's Motion.

Thereafter, by Order No. 92-413, issued in the instant Docket on June 12, 1992, the Commission granted a Motion filed on behalf of SCE&G which sought an order of the Commission to provide for the cessation of discovery in the instant proceeding and to relieve the Company from any obligation to answer or otherwise respond to the outstanding discovery requests served and filed in this matter by Mr. Freeman and the Consumer Advocate. The Commission also considered Motions for an evidentiary hearing filed by the Consumer Advocate and John P. Freeman. The Commission granted the Motion for a Protective Order pending the Commission's determination of the necessity of an evidentiary hearing in this matter. The Commission also allowed that the parties would argue orally before the Commission whether or not an evidentiary hearing was necessary in this matter, as well as argue concerning the issues raised by the final report and recommendations submitted by the Commission Staff and any other matters that would be relevant to the Docket.

Thereafter, on August 12, 1992, at 10:30 a.m., the Commission entertained oral arguments in this matter from the parties. The Commission Staff was represented by Marsha A. Ward, General Counsel; SCE&G was represented by Robert T. Bockman, Esquire; John P. Freeman, Esquire, appeared pro se; and the Consumer Advocate's office was represented by Steven W. Hamm, Esquire, Nancy V. Coombs, Esquire, and Elliott F. Elam, Jr., Esquire.

It was the Commission Staff's position that the Commission

should adopt the Final Recommendations and Reporting Requirements submitted by the Staff. Staff stated that its objective was to propose methods to separate the regulated activities of SCANA from the non-regulated activities so that the ratepayers are not impacted in a negative manner by the diversification activities of SCANA. It was the Commission Staff's position that the Final Recommendations and Reporting Requirements represent what Staff feels is a reasonable incorporation of all the parties' concerns.

SCE&G concurred in the Staff's position that the Recommendations and Reporting Requirements be approved. Counsel for SCE&G noted that this investigation had been a lengthy process and that Staff had conducted an extensive investigation. SCE&G supported the Commission Staff's Report and noted that the Recommendations and Reporting Requirements will cause SCE&G to modify its way of doing things. While the report does not state that SCE&G or SCANA have done anything wrong, unlawful or inconsistent with regulatory requirements, the Company does agree to comply because the filings will provide the Commission and the public with more information to ensure that the Company is doing the right thing. SCE&G requests that the Commission approve the Staff's Recommendations and Reporting Requirements as soon as possible.

Intervenor Freeman, while applauding the Commission Staff's investigation and the Recommendations and Reporting Requirements, had some reservations and concerns. Particularly, Mr. Freeman was concerned over the property transfers between SCE&G and the SCANA

affiliates. Mr. Freeman was concerned over the requirement that a threshold of \$150,000 be met before property sold by SCE&G is put out for bids. Mr. Freeman was of the opinion that there was a need to go further and examine all conveyances and that the right of inquiry should not be cutoff.

It was Mr. Freeman's position that the Staff Report be adopted with one exception. Mr. Freeman expressed a concern over §IV-A, Property Transactions Recommendations, specifically Paragraph 3 which dealt with the sale of real property "with an appraised value in excess of \$150,000." Mr. Freeman's concerns over Paragraph 3 of §IV-A could be alleviated after the Company responds to his Interrogatories. Mr. Freeman requested that he be given 60 days after the discovery is submitted to him to make a written filing with the Commission concerning the property transfers.

The Consumer Advocate also agreed that the document put forth by the Commission Staff would help ensure that the ratepayers are protected from the activities of the unregulated subsidiaries of SCANA. However, the Consumer Advocate supports Mr. Freeman's request for information concerning the property transfers and asks that the Commission direct the Company to respond to the Interrogatories of both the Consumer Advocate and Mr. Freeman. The Consumer Advocate supported the Staff's proposal but took exception with the threshold level for the appraisal of property. The Consumer Advocate supported a lower threshold that could be raised as the transactions were evaluated over time by the

Commission. Additionally, the Consumer Advocate proposed language to be added to the recommendations and reporting requirements which dealt with the activities of SCANA subsidiaries used as subcontractors on SCE&G projects. The Consumer Advocate also requested that his access to the books and records of SCANA's regulated and unregulated subsidiaries be the same access as that of the Commission. It was the Consumer Advocate's position that such access would be in the public interest. The Consumer Advocate's proposal dealing with the subcontractor capacity of SCANA subsidiaries was entered into evidence as Hearing Exhibit No. 5.

The Commission entertained replies from the Commission Staff and SCE&G and then closed the proceedings. Subsequently, the Commission Staff, the Consumer Advocate, and SCE&G entered into a Stipulation which was filed with the Commission for its approval.

The Stipulation provides in pertinent part:

1. With the exception of the modifications further discussed in this Stipulation, the Parties agree that the Reporting Requirements and Substantive Recommendations in the Final Report are reasonable and should be adopted by the Commission without the necessity for further proceedings in this Docket.
2. At the oral arguments, the Consumer Advocate proposed an additional Reporting Requirement to the Final Report concerning notification of the participation of affiliates of SCE&G as subcontractors or in other financial arrangements for contractors doing work for SCE&G. Such proposal was embodied in Hearing Exhibit No. 5. The Parties agreed to substitute the provisions contained in Appendix A to the Stipulation as a modification to the Final Report and Recommend their adoption by the Commission in this proceeding.

3. Furthermore, the Parties agreed to request the Commission to approve a modification to the provisions in the Final Report concerning the procedures for the sale of SCE&G's real property. Specifically, the Parties will request the Commission by the submission of this Stipulation to modify the "competitive bidding process" described in §IV-A.3 of the Final Report to require such process to be applicable to "sales of real property with an appraised value in excess of \$50,000." Similarly, the Parties propose a similar modification to the Reporting Requirements in §IV-B.1.b of the Final Report.
4. With respect to the methodology proposed by the Final Report for the allocation of SCANA Corporation charges, nothing in these Stipulations is intended to preclude any party in any proper proceeding from proposing modifications to that allocation methodology or its applications for ratemaking purposes on a prospective basis.

1. SCE&G and SCANA have agreed to the provisions of the Final Report concerning access of the Commission Staff to certain books and records of affiliates of SCE&G, including SCANA which are not subject to the statutory jurisdiction of the Commission.
2. SCE&G and SCANA agreed to provide the Consumer Advocate reasonable opportunity for inspection and review of documents relevant to the matters at issue in any proceeding in which the Consumer Advocate has intervened. Such opportunity will be provided pursuant to the Commission's Rules of Practice and Procedure and S.C. Code Ann., §37-6-605 (1976), as amended.

The Commission has considered the information put forward by the Commission Staff, the pleadings filed by the parties in this matter, as well as the oral arguments and the Stipulation presented by certain of the parties in this proceeding. The Commission is very concerned that the ratepayers of SCE&G not be negatively

impacted in any way by the unregulated activities of SCANA Corporation or its subsidiaries. In the Commission's viewpoint, the Staff's Recommendations and Reporting Requirements set forth a policy of the Commission which will seek to ensure the protection of the regulated utility ratepayers from the activities of the unregulated subsidiaries of SCANA. The Stipulation agreed to and filed by the Commission Staff, the Consumer Advocate, and SCE&G is consistent with this policy and should be incorporated in the Recommendations and Reporting Requirements. Additionally, the documents provide the Commission the tools to carry out that policy. All the information filed pursuant to the Reporting Requirements will be public information and it will be filed on a yearly basis. The Commission finds that the Final Recommendations and Reporting Requirements as modified by the Stipulation, are in the public interest and should be adopted by the Commission. The Recommendations and Reporting Requirements as approved by the Commission are attached hereto as Appendix A and are incorporated by reference herein.

As to the concerns of Mr. Freeman and the Consumer Advocate dealing with the appraised values of real property for property transfers, the Commission's adoption of the Stipulation lowers the threshold amount to \$50,000. The Commission finds this lower threshold more appropriate and it addresses the concerns expressed by Mr. Freeman and the Consumer Advocate. Additionally, the Commission is aware that the Company has responded to the discovery requests of Mr. Freeman and the Consumer Advocate. The Commission

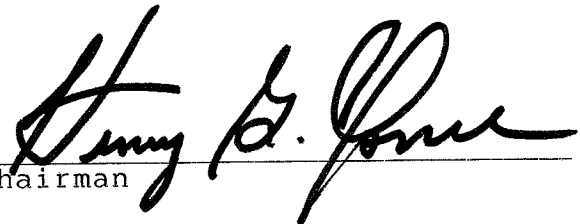
wishes to ensure that the Company has fully responded to those parties and hereby directs the Company to do so if it has not done so already. Both Mr. Freeman and the Consumer Advocate are not estopped from raising any issues in a separate Docket which may arise from information that they receive from the Company relating to their discovery matters or from any other subsequent information that becomes available to them.

Based upon the Commission's approval and adoption of the Recommendations and Reporting Requirements and the Stipulation and the Commission's ruling on the discovery requests, the Commission finds no need for further evidentiary proceedings. The Commission notes and commends the Staff and the participating parties on their diligence in this investigation and their efforts to reach a consensus. The fact that the oral arguments related to only a few issues and the fact that the majority of the Recommendations and Reporting Requirements were supported by all parties is evidence of good communication and cooperation among the parties. The Commission hopes that this is a trend that will continue in the future.

The Commission herewith requires SCE&G to file the information required in the adopted Recommendations and Reporting Requirements within 30 days of the date of this Order.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

BEFORE

IN RE: Investigation of Property Transfers)
from South Carolina Electric & Gas)
Company to SCANA, other SCANA Affiliates)
and Non-Affiliated Entities, and)
Allocation of Expenses, Revenues and)
Plant between SCE&G, SCANA, and SCANA)
Affiliates.)

FINAL RECOMMENDATIONS AND REPORTING REQUIREMENTS

I

INTRODUCTION

1. The Public Service Commission of South Carolina (the Commission) initiated this proceeding by way of Order No. 89-378, entered in Docket No. 88-681-E on April 12, 1989, and by publication of its Notice of Proceeding, dated May 9, 1989, in Docket No. 89-230-E/G. According to the Notice of Proceeding, the Commission's Docket was intended "to fully investigate the transfer of property, along with the allocation of expenses, revenue and plant by SCE&G to SCANA or any of SCANA's affiliated Companies."

2. The Consumer Advocate, the Alliance for Fair Competition and John P. Freeman duly intervened in Docket No. 89-230-E/G. The Staff is considered a party of record to this proceeding pursuant

to 26 S.C. Code Ann. Regs. 103-804(J)(1976).

3. In accordance with its responsibilities in this proceeding, the Staff undertook its investigation of the matters at issue and submitted the Report of the Research Department and the Report of the Accounting Department (collective, "the Reports") on August 14, 1990. The Reports included recommendations for additional reporting requirements by SCE&G and SCANA's regulated affiliated companies and for substantive actions relating to affiliated transactions, including transfers of real property. The Reporting Recommendations and the Substantive Recommendations were thereafter modified in response to comments and various meetings related to the Reports submitted by parties to this proceeding.

4. The Commission Staff has prepared and submits herewith its final Recommendations and Reporting Requirements. The final Recommendations and Reporting Requirements consist of financial transactions recommendations and reporting requirements, affiliate transactions recommendations and reporting requirements, property transactions recommendations and reporting requirements and customer proprietary recommendations and reporting requirements. The final report is divided into four parts which outline the Staff's recommendations and reporting requirements for each category.

5. If the Commission approves this final Report, it will be

necessary for the Commission Staff to have access to the books and records (including financial statements) of the affiliates of SCE&G, including SCANA, in order to properly monitor transactions between and among regulated affiliates and between regulated and non-regulated affiliates, the application of the allocation methodology, and the compliance with financial recommendations, among other things. Upon approval then, the Commission should require SCE&G and SCANA to provide to the duly authorized members of the Staff certain access to the books and records (including financial statements) of affiliates of SCE&G, including SCANA, which are not subject to the statutory jurisdiction of the Commission. The access to such books and records should be made available under suitable protection and will be provided to the extent necessary to permit the members of the Staff to verify the amount of charges allocated or directly assigned to SCE&G by any such affiliate, including SCANA, to determine the accuracy of the allocation methodology by which such charges are computed, and to monitor compliance with financial recommendations.

6. The Commission staff and/or any consultant acting on behalf of the Commission will periodically audit the books, records, policies and procedures of SCE&G and affiliated SCANA subsidiaries to evaluate compliance with the reporting requirements approved by the Commission. The books and records of such non-regulated subsidiaries will be reviewed subject to such protection as the Staff and the Company agree. In addition, the Staff will review

the materials filed by the Company under the reporting requirements. The Staff will periodically provide the Commission for their deliberation a summary of findings related to any discrepancies between the reporting requirements and the audit findings and review of the reports filed by the Company.

7. Upon Commission approval, the information required to be filed by SCE&G should be filed on a calendar year basis by June 30, of next year. The first filing will be for the twelve months ending December 31, 1991, and will be due 30 days after the date of Order No. 92-931.

II-A

FINANCIAL TRANSACTIONS RECOMMENDATIONS

1. SCE&G should have the opportunity to earn a fair and reasonable rate of return on the stockholders equity investment as specified under standard regulatory criteria such as those set forth in the Hope case. However, any business or financial risk associated with the creation and operation of another subsidiary of SCANA Corporation should not be assigned to the ratepayers of SCE&G. This is applicable to any PSC regulated subsidiary¹ of SCANA.

2. The overall allowed return on rate base of SCE&G should meet

1. The term "PSC regulated subsidiary" or "regulated subsidiary" as used herein means any Public Service Commission regulated subsidiary of SCANA.

standards consistent with general regulatory policy and also should exclude any cost resulting from increased business or financial risk associated with the diversified investments of SCANA. This is applicable to any regulated subsidiary of SCANA.

3. The capital structure utilized by SCE&G for rate making purposes must be reasonable and should not be influenced by non-regulated diversification investments of SCANA. The Commission should continue to monitor the SCE&G capital structure (and that of other regulated entities) and can assign a reasonable hypothetical capital structure should SCE&G's capital structure be found to differ significantly from that appropriate for an electric and/or gas utility. This is applicable to all of SCANA's regulated subsidiaries.

4. The cost of debt and the cost of preferred stock of SCE&G or other regulated subsidiaries should not be influenced by any risk related to the diversification activities of SCANA Corporation. Should the bond rating or preferred stock rating of SCE&G be lowered because of diversification investments by SCANA Corporation any additional costs should not be borne by the ratepayers of SCE&G. This is applicable to all regulated subsidiaries of SCANA.

5. The dollar amount of dividends paid by SCE&G to SCANA must be reasonable. The percentage of net income paid by SCE&G to SCANA Corporation as dividends must be reasonable and in line over the

long-run of five to ten years with the payout ratio of the electric utility industry and/or the gas distribution industry. This issue should be monitored annually. This is applicable to all regulated subsidiaries of SCANA.

6. The collateral used to support the debt of SCE&G (or any other regulated subsidiary of SCANA) should not be compromised in any way as to endanger the Company's bond rating and increase its cost of debt. The Commission should adjust the cost of any new debt issue during the rate case process in a reasonable manner to remove the impact of the higher cost debt if this is determined to have occurred.

7. SCE&G and any regulated subsidiary of SCANA should comply with the FERC Chart of Accounts.

II-B

FINANCIAL TRANSACTIONS REPORTING REQUIREMENTS

1. File the rate of return on rate base, net assets, and common equity for SCE&G and the regulated subsidiaries of SCANA. File the rate of return on net assets and common equity for consolidated SCANA Corporation. This information should be based on the most recent calendar year data.

2. File the dollar amount of the capital structure at the end of the most recent calendar year for consolidated SCANA, SCE&G, and each regulated subsidiary of SCANA Corporation. (Debt, preferred

stock, equity, etc., total.)

3. File the consolidated capital structure of the regulated entities of SCANA Corporation and the consolidated capital structure for the non-regulated operations of SCANA Corporation in dollar amounts at the end of the most recent calendar year. (Debt, preferred stock, equity, etc., total.)

4. File the dollar amount of assets devoted to the regulated, non-regulated, and consolidated operations of SCANA Corporation at the end of the most recent calendar year.

5. Provide an income statement, balance sheet, and cash flow statement reflecting results of operations from each regulated and non-regulated subsidiary and the consolidated SCANA operations based on the most recent calendar year.

6. A) File the bond rating, common stock rating, and preferred stock rating of SCANA Corporation, SCE&G, and any other regulated subsidiary of SCANA Corporation at the end of the latest calendar year. File all available ratings and notifications of any change in a security rating within 15 days or as soon as possible. The notification will include the news release or other information for the rating agency setting forth the reason for the change.

B) File notification of any changes in these ratings during the calendar year.

C) File an explanation for any changes in the security ratings during the prior twelve months.

D) File immediate notification to the Commission of any changes in security ratings.

7. A) File notification of any "planned" issuance of common stock, long-term debt, or preferred stock by SCANA Corporation, SCE&G, or any other regulated subsidiary of SCANA Corporation.

B) File the approximate time of issue and dollar amount of issue.

C) File an explanation of the intended use of these funds, if they are issued specifically by a regulated subsidiary or earmarked for a regulated subsidiary or non-regulated subsidiary.

D) If the funds raised from an issuance were or are to be transferred from one subsidiary to another or from SCANA to a regulated subsidiary, file information on the mechanism used to transfer these funds and the amount of such transfers.

E) File the actual cost of any new issue of debt and preferred stock by SCANA Corporation, SCE&G, or any regulated subsidiary during the calendar year.

8. A) File the dollar amount of dividends paid out by SCANA Corporation during the most recent calendar year.

B) File the percent of consolidated SCANA's net income or earnings per share paid out as dividends to stockholders over the calendar year. (Dividends per share/earnings per share or dollar

amount of dividends/net income).

C) File an explanation of the reason for any significant changes in the payout ratio (Dividends per share/earnings per share, etc.) from the previous twelve months. [Significant is defined as more than 10 percent.]

9. A) File the dollar amount of dividends paid to SCANA Corporation by SCE&G and each regulated subsidiary for each calendar year. File the total amount of dividends paid by all subsidiaries to SCANA.

B) File the percent of net income paid by SCE&G and each regulated subsidiary to SCANA Corporation.

C) File an explanation of the reason for any significant change in the payout ratios (dividends/net income) from the previous calendar year. [Significant is defined as more than 10 percent.]

D) File an explanation of any significant difference in the payout ratios of the regulated subsidiaries. [Significant is defined as more than 10 percent.]

III-A

AFFILIATED TRANSACTIONS RECOMMENDATIONS

1. Any transfer of funds, such as loans, from SCE&G to SCANA Corporation or to any other subsidiary of SCANA should be void of any affiliate preferences which would be unreasonable, unfair and have an injurious effect upon the public interest, consistent with

S.C. Code Ann. §58-27-2090 (1976), as amended. Any loans should be made at market rates with loan agreements similar to the standards at that time for similar types of loans. Adequate records must be maintained of such transactions. This is applicable for all regulated entities of SCANA. This issue should be monitored annually.

2. Goods and services sold or exchanged between SCE&G and SCANA or any subsidiary of SCANA must be transferred at a reasonable rate and with conditions consistent with the existing market prices and contract conditions for similar goods/services. The same is true for the services of human resources. Adequate records must be maintained of such transactions. This issue should be monitored annually. This is applicable to all regulated subsidiaries of SCANA.

The Company must ensure that its affiliated transactions are undertaken in accordance with the provisions of S.C. Code Ann., §58-27-2090 (1976), as amended, and to maintain sufficient records of such transactions to permit full review by the Commission Staff.

3. SCE&G must follow accepted regulatory methods of allocating costs between the parent and subsidiaries of SCANA Corporation. The Accounting Department has made specific recommendations regarding this issue which states that the Company be charged with SCANA overhead based on the three-factor formula consisting of

average gross property, payroll, and gross operating revenue. Allocation factors should be reported annually to the Commission. This is applicable for all regulated subsidiaries of SCANA.

The Commission has determined that the methodology used for the allocation of SCANA Corporation charges to SCE&G was reasonable and that the expenses allocated by the methodology were proper and reasonable for ratemaking purposes in the proceedings in SCPSC Docket No. 88-681-E and SCPSC Docket No. 89-245-G. With respect to those issues, the Commission Staff agrees that the decision of the South Carolina Supreme Court, now pending on appeal in Steven W. Hamm, etc. v. South Carolina Pub. Serv. Comm'n (Supreme Court Docket No. 91-856) and in Steven W. Hamm, etc. v. South Carolina Pub. Serv. Comm'n (Supreme Court Docket No. 91-777), will be final. If the South Carolina Supreme Court remands the Commission's determinations with respect to the allocation method and ratemaking treatment of the expenses with instructions to make modifications to the Commission's orders at issue, the Commission should make any such modification effective from the date of the Commission's orders to December 31, 1991.

Notwithstanding any decision which the South Carolina Supreme Court might render in Steven W. Hamm, etc. v. South Carolina Pub. Serv. Comm'n (Supreme Court Docket No. 91-856) and in Steven W. Hamm, etc. v. South Carolina Pub. Serv. Comm'n (Supreme Court Docket No. 91-777), SCE&G and SCANA Corporation should adopt and apply the apportionment methodology for the allocation of SCANA Corporation charges incorporated in the Report of the Accounting

Department of the Commission Staff, submitted in this proceeding. The adoption and application of the apportionment methodology will be effective on and after January 1, 1992, until any further order of the Commission. The adoption and application of such apportionment methodology will be for accounting purposes and will not be intended to affect SCE&G's currently approved and effective rates and charges for electric and natural gas operations.

4. No subsidiary may be created by SCANA Corporation without notification to the PSC. Notice of the formation of a new subsidiary should be filed with the Commission. The notification to be provided by the Company will include an overview of each new subsidiary's intended type of operation and explain the expected impact of each new subsidiary's operations on the regulated operations of SCE&G.

5. SCANA should notify the Commission of any joint ventures and joint financial arrangements entered into by SCANA Corporation or any of its subsidiaries. The notification to be provided by the Company will contain an overview of the new joint venture's intended operations and explain the expected impact of the joint venture on the regulated operations of SCE&G.

6. Each subsidiary of SCANA Corporation (regulated and non-regulated) must maintain separate books and records which identify transactions between affiliates. The transactions between

the regulated and non-regulated affiliates are to be monitored by the PSC.

The Company should maintain its books and records in a manner sufficient to identify "affiliated transactions" as defined in S.C. Code Ann. §58-27-2090 (1976), as amended, and sufficient to permit review by the Commission.

SCE&G shall ensure the maintenance of separate books and records which identify transactions between SCE&G and affiliates. The SCPSC will review these books to verify transactions between SCE&G and non-regulated subsidiaries.

7. Proper records should be maintained by SCE&G for Commission review on the following:

- a. Joint employees of the various subsidiaries.
- b. Common property between regulated subsidiaries and non-regulated subsidiaries.

8. All and any affiliate preferences are prohibited. Any business or financial transaction between regulated business entities and other subsidiaries should be conducted on an unaffiliated basis, fully auditable, reflecting all costs and should not permit any cross-subsidization. This should be monitored annually.

The Company should issue a policy statement which provides for the avoidance of any affiliate preference which would be unreasonable, unfair and have an injurious effect upon the public interest, consistent with S.C. Code Ann. §58-72-2090 (1976), as

amended. Any updates to the policy statement should be filed with the Commission.

9. The officers of SCE&G and any regulated subsidiary of SCANA should not devote an inordinate amount of time with the establishment and operation of non-regulated subsidiaries of SCANA Corporation to the detriment of the regulated subsidiaries of SCANA Corporation.

10. SCE&G should notify the Commission when SCANA Corporation or any of its subsidiaries have been retained to perform services in the capacity of a subcontractor or in some other type of financial arrangement on behalf of a contractor doing business with SCE&G. The notification will include a description of the financial arrangement, the name of the contractor/company with which the arrangements have been made, the type of services being performed, and how these arrangements impact the regulated operations of SCE&G.

III-B

AFFILIATED TRANSACTIONS REPORTING REQUIREMENTS

1. A) File a record of any transfer of funds from/to SCANA Corporation and any subsidiary of SCANA Corporation during the previous calendar year.

B) File a description of the type of transfer.

C) File the terms of the transfer.

D) File a comparison of the terms of the transfer with

current market terms and rates.

2. File a record of any real property transfers between SCE&G and SCANA, SCE&G and any of SCANA's regulated subsidiaries, or SCE&G and any other party for the past calendar year which includes:

- a. Market value and how the market value was determined.
- b. Book value at time of transfer.
- c. Original purchase price.
- d. Selling price and terms of sale.
- e. Gain or loss on transfer.
- f. Identification of land or property transferred.
- g. Parties involved in the transfer.
- h. Number of bids received.

This is applicable for all regulated subsidiaries of SCANA.

3. File a record of goods and services sold or exchanged between SCE&G and SCANA or any subsidiary of SCANA during the past calendar year. Compare the current market prices for such goods and services with the prices for which goods and services were exchanged or sold between SCE&G and SCANA or any subsidiary of SCANA.

4. A) File information on the methodologies used for the allocation of costs between SCANA and its subsidiaries.

B) File those allocation factors.

5. A) File a record of any type of collateral belonging to SCE&G used to support any financial arrangement on behalf of any subsidiary of SCANA.

B) File information on the type of financial arrangement involved.

C) File a description of the collateral pledged in support of the financing arrangement.

D) File the reason for pledging any assets as collateral for an affiliate.

6. File the percent of time of each officer of SCE&G and the regulated subsidiaries of SCANA Corporation allocated to each subsidiary of SCANA for the prior calendar year.

7. SCE&G or any regulated subsidiary of SCANA Corporation will file a summary of affiliated transactions by each regulated affiliate by type of transaction completed during the year. The summary will include the gross dollar amount of each transaction and a reference to any relevant contract or agreement.

8. SCE&G will file a statement certifying that all affiliated transactions were determined consistent with any procedures approved by the Commission within this proceeding.

9. A) SCE&G and any regulated subsidiary of SCANA will file

information on any new contracts and leases with affiliated companies and a brief description of each contract including the terms, price, quantity, and duration.

B) File information as to whether competitive bids were taken.

10. SCE&G and any regulated subsidiary of SCANA Corporation will file a list of employees earning more than \$50,000 annually transferred to/from the regulated subsidiary to another affiliated company. The listing will contain the following information for each affected employee:

- a. old job assignment with the regulated subsidiary
- b. new job assignment at the affiliate
- c. whether transfer is permanent or temporary; and if temporary, the expected duration.

11. SCE&G and the regulated subsidiaries of SCANA Corporation will be required to keep supporting records of reported transactions to facilitate auditing and analysis and shall maintain an audit trail from the summary report through the general ledger to the source documents supporting the transaction.

12. SCE&G and the regulated subsidiaries of SCANA Corporation will maintain for Commission review (not to be filed annually) written reports of individual affiliated transactions.

13. SCE&G will develop and file with the Commission a policy statement prohibiting affiliate preferences in the conduct of its affiliated transactions. The Company will modify its policy statement as necessary and file the modified policy statement with the Commission.

14. A) SCANA Corporation, SCE&G, and any other regulated subsidiaries of SCANA will file the names of any of their affiliated companies and a description of the business and financial operations of each company.

B) For any new subsidiary also file the initial amount of the investment and the source of funds for the investment.

C) The Commission will be notified of the creation of any new corporate subsidiary or business entity of SCANA Corporation or any of its public utility subsidiaries within twenty (20) days of either the filing of Articles of Incorporation or the final action creating the business entity.

D) File an organizational chart for consolidated SCANA Corporation and each regulated subsidiary.

E) File information on any changes in corporate structure during the prior calendar year including any partnerships, minority interests, and joint ventures entered into by SCANA Corporation or any of its affiliated companies. This includes any such arrangements between SCANA or any of its affiliates with an external entity.

15. SCE&G will notify the Commission when it has retained the services of another contractor/company to perform services for the Company and the retained contractor/company thereafter utilizes the services of SCANA Corporation or any of its subsidiaries. The notification will be filed within thirty (30) days of the execution of the subcontract or other arrangement and will contain a summary of the arrangement, the name of the contractor/company providing the services, a statement whether the services were competitively bid, the procedure used by the contractor/company to retain SCANA Corporation or any of its subsidiaries, the type of services being provided by SCANA Corporation and any of its subsidiaries, and the manner in which these arrangements impact the regulated operations of SCE&G.

IV-A

PROPERTY TRANSACTIONS RECOMMENDATIONS

1. Any utility or non-utility land or real property transfers between SCE&G and SCANA or any of SCANA's subsidiaries, or to any other party, should be made at market value. Adequate records must be maintained of such transactions. This is applicable for all regulated subsidiaries of SCANA. This issue should be monitored annually.
2. SCE&G and any regulated subsidiary of SCANA should comply with SC State law and PSC regulations pertaining to property transfers.
3. SCE&G will establish and implement the following procedures

for the sale of real property:

For sales of real property less than five (5) acres which is within the boundaries of projects subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), SCE&G will file with the Commission a copy of the notification of sale required by FERC. Pursuant to FERC rules, such notification must be filed not less than forty-five (45) days "prior to the transaction" and must include a statement that State and Federal agencies with the jurisdiction for environmental issues have been advised of the pendency of the transaction. SCE&G will restrict such land transfers to requesting owners of the adjacent property, transactions concerning such property will not be the subject of any competitive bidding process.

For sales of real property with an appraised value² in excess of \$50,000, SCE&G will engage in the following competitive bidding process. Upon the receipt of an offer to purchase such property, SCE&G will advise the offeror that SCE&G will arrange for publication in a local newspaper of a notification of availability of the property. The notification will describe the property and state that SCE&G will receive additional offers for a period of 30 days. Upon acceptance of any offer, SCE&G will provide the Commission with an explanation for the acceptance of any offer other than the highest offer. If the original offer to purchase is made by an affiliate of SCE&G and no other offers are timely

2. Such appraisals shall be conducted by an MAI certified independent appraiser.

received, the transfer of the property to SCE&G's affiliate may be made at the appraised value of the property as determined by at least two (2) independent MAI certified appraisers.

These procedures will be applicable for transfers of real property with an appraised value in excess of \$50,000 and will be applicable regardless of the classification of the property in accordance with the FERC Uniform System of Accounts. Because of the absence of materiality, sales of property with an appraised value less than \$50,000 would not be subject to the described bidding process. Also, it is the opinion of Staff that because of the inefficiencies of having to review every transfer and the cost to the ratepayer for independent appraisals, requiring competitive bidding for all property transfers would not necessarily be in the public interest.

Before a tract of land is sub-divided into parcels that have market values of less than \$150,000, the Company must file such proposed partitioning with the Commission for review. If the Commission deems any further action necessary, such action will be taken.

4. On any occasion when real property is moved from a classification as utility property to a classification as non-utility property, SCE&G and any regulated subsidiary of SCANA must provide prior notification for any transaction in excess of \$500,000 and an annual summary of the reclassification of utility property to non-utility property. The transaction that moves the

property from utility property to non-utility property will be made at book value.

5. Any gain or loss on the sale or other transfer of real property shall be accounted for under the FERC Chart of Accounts and generally accepted accounting principles, and will be considered by the Commission on a case-by-case basis for ratemaking and other regulatory purposes.

IV-B

PROPERTY TRANSACTIONS REPORTING REQUIREMENTS

1. On any occasion that SCE&G or any other regulated subsidiary of SCANA Corporation accepts anything other than the highest bid for real property, that company must provide adequate justification to the Commission.

SCE&G will file with the Commission the following:

- a. A copy of the notification of sale required by FERC for sales of real property less than five acres.
- b. For sales of real property with an appraisal in excess of \$50,000 and the Company accepts a bid other than the highest bid, the Company will provide an explanation as to why it accepted an offer other than the highest bid.
- c. Any proposed partitioning before a tract of land is sub-divided into parcels having a market value of less than \$150,000.

2. A) On any occasion when real property is moved from a classification as utility property to a classification as non-utility property, SCE&G and any regulated subsidiary of SCANA

Corporation must provide notification of such a transaction to the Commission. This notification will be included in the annual summary of the reclassification of utility property to non-utility property.

B) Prior notification will be provided for any transaction in excess of \$500,000, and an annual summary of the reclassification of utility property to non-utility property will be filed with the Commission. The transaction that moves the property from utility to non-utility will be made at book value. SCE&G will include an explanation of the reason for the transfer, if known.

V-A

PROPRIETARY CUSTOMER INFORMATION RECOMMENDATIONS

1. The regulated utility should not disclose customer proprietary information to any of its affiliates without the consent of that customer. Procedures should be established by the Company to comply with this recommendation. Upon development of the procedures, SCE&G should file a copy of the procedures with the Commission for approval. Proprietary information in this instance is defined as any information that if released could cause the customer possible competitive injury.

V-B

PROPRIETARY CUSTOMER INFORMATION REPORTING REQUIREMENTS

1. SCE&G will file a copy of the procedures that were established to comply with the recommendation that the regulated utility will not disclose proprietary customer information without the consent of the customer.